

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

OVERTIME
PERFORMANCE AUDIT
DELAWARE CORRECTIONAL CENTER
DELAWARE STATE POLICE PATROL
DEPARTMENT OF TRANSPORTATION
FISCAL YEAR 2007

FIELDWORK END DATE: JUNE 10, 2008

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EXECUTIVE SUMMARY

BACKGROUND

During the first half of Fiscal Year (FY) 2008, numerous concerns were raised to the Office of Auditor of Accounts (AOA) relative to the amount of overtime paid to employees in certain agencies. AOA decided to perform an economy and efficiency examination on a Statewide basis to determine whether:

- Agencies had sufficient controls in place to monitor overtime being paid;
- Overtime costs were justified;
- Overtime costs were accurately recorded both in the State's accounting system (DFMS) and in the State's payroll system (PHRST); and
- Alternatives were available that would provide the necessary services without the excessive overtime payments.

The scope of this audit includes overtime payments made to State employees for FY 2007 for the following agencies detailed below:

Agency	Amount
Department of Corrections, Delaware Correctional Center (DCC)	\$8,788,269.07
Department of Safety and Homeland Security, Delaware State Police Patrol (DSP)	\$4,561,908.58
Department of Transportation, Maintenance and Operations (DOT)	\$4,882,285.71

The employee sample selected for test work represents 10% dollar coverage of FY 2007 overtime payments for each of the respective agencies. AOA substantively tested 25% of the pay periods where these employees earned overtime in FY 2007.

AUDIT CONCLUSIONS AND OBSERVATIONS

Determine if the agency had sufficient controls in place to monitor overtime being paid.

DCC has developed sufficient control policies; however, the controls should be implemented more consistently to monitor overtime being paid. Refer to the ***Findings and Recommendations*** section of this report for further detail.

DSP has sufficient controls in place to monitor overtime being paid. Policies and procedures are sufficient and overtime payments selected for testing were properly authorized and adequately supported.

DOT does not have sufficient controls in place to monitor overtime being paid. Refer to the ***Findings and Recommendations*** section of this report for further detail.

EXECUTIVE SUMMARY

Determine if overtime costs were justified and supported by appropriate documentation and records.

DCC has developed appropriate forms and procedures; however, management should strengthen approval processes to document that overtime costs are properly authorized and justified. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Overtime costs at DSP were justified and supported by appropriate documentation and records.

Instances totaling \$76,570.12 were discovered where DOT's overtime costs were not justified, not properly authorized, and not supported by appropriate documentation and records. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Determine if overtime costs were accurately recorded in DFMS and PHRST.

The State's payroll is processed through PHRST and then uploaded into DFMS. Overtime costs recorded in DFMS and PHRST by DCC and DSP reconciled ensuring the two systems interfaced properly.

Determined the overtime costs at DOT were not accurately recorded in DFMS and PHRST. Significant differences over \$34 million were noted when reconciling the two systems. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Determine if alternatives to overtime were available.

DCC must maintain adequate security staffing levels for each area on all shifts, with an average minimum staffing of 115 per shift. Overtime shifts at DCC were assigned based on projected need in order to ensure the safety of employees and inmates. DCC could attempt to fill their vacant positions as an alternative to the payment of significant overtime since 75% of overtime incurred in FY 2007 was caused by staff shortages. However, this may not be feasible due to the nature of the positions, pay grades, and other employment criteria.

DSP requires a minimum number of officers on duty and for special tasks on all shifts. Overtime may be granted for special duty assignments (such as "Click-it or Ticket" and DUI checkpoints), escorting detainees and mental patients, call-outs, vacations, court appearances, and training. Alternatives to overtime are normally not available.

DOT incurs overtime for weather-related incidents, accidents on the roadways, staff call-outs, road repairs and maintenance, and mowing. The majority of the overtime is earned during the summer months when the weather is suitable to perform roadwork. Many crews work long shifts because of the seasonal nature of the work and the number of roads that must be repaired/resurfaced/etc. in a short period of time. However, based on the findings noted, it is unclear whether all of the overtime costs incurred during FY 2007 were necessary and if alternatives were available.

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AUDIT AUTHORITY

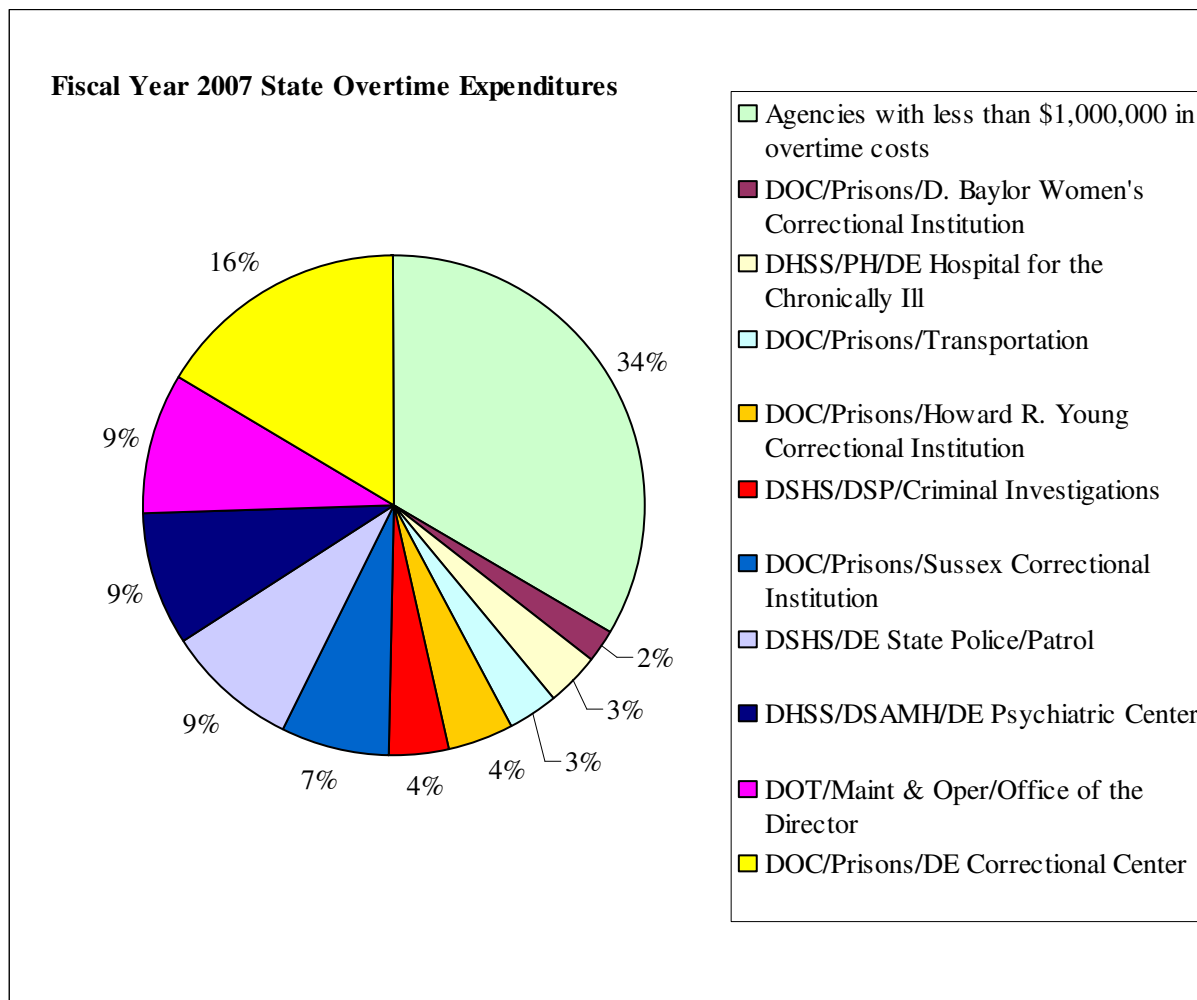
Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards, and the U.S. General Accountability Office, which has issued generally accepted government auditing standards.

BACKGROUND

During the first half of FY 2008, numerous concerns were raised to the Office of Auditor of Accounts (AOA) relative to the amount of overtime paid to employees in certain agencies. AOA decided to perform an economy and efficiency examination on a Statewide basis to determine whether:

- Agencies had sufficient controls in place to monitor overtime being paid;
- Overtime costs were justified;
- Overtime costs were accurately recorded both in the State's accounting system (DFMS) and in the State's payroll system (PHRST);
- Alternatives were available that would provide the necessary services without the excessive overtime payments.

The following pie chart illustrates the percentage of overtime costs attributable to each agency for FY 2007. The Delaware Correctional Center (DCC) accounts for 16%, the Delaware State Police (DSP) accounts for 9%, and the Department of Transportation (DOT) accounts for 9% of the State of Delaware's overtime costs.



BACKGROUND

Delaware Correctional Center

DCC is a Level 5 prison facility for men located near Smyrna, Delaware, in southern New Castle County and is the State's largest adult, male correctional facility. DCC currently houses approximately 2,500 minimum, medium, and maximum-security inmates and is also the primary facility for housing the Kent County pre-trial detainee population. DCC also houses inmates sentenced to the death penalty and carries out the executions.

DCC must maintain adequate security levels for each area on all shifts. The average minimum staffing requirement is 116 per shift. In addition, at least two officers per inmate are required when escorting inmates to medical appointments, programs, etc. Staff is requested to work overtime to cover shortages due to vacancies, call-outs, military leave, staff training, medical or transfer runs, and late relief. In FY 2007, the following were attributable to the overtime hours earned:

Cause	# of hours	%
Vacancies (Staff Shortage)	193,705.15	74.62
Training	20,126.00	7.75
Outside Hospital Coverage	13,670.30	5.27
Military Leave	10,774.29	4.15
Sick Leave	8,190.22	3.15
Other	13,123.87	5.06
Total	<u>259,589.83</u>	<u>100.00</u>

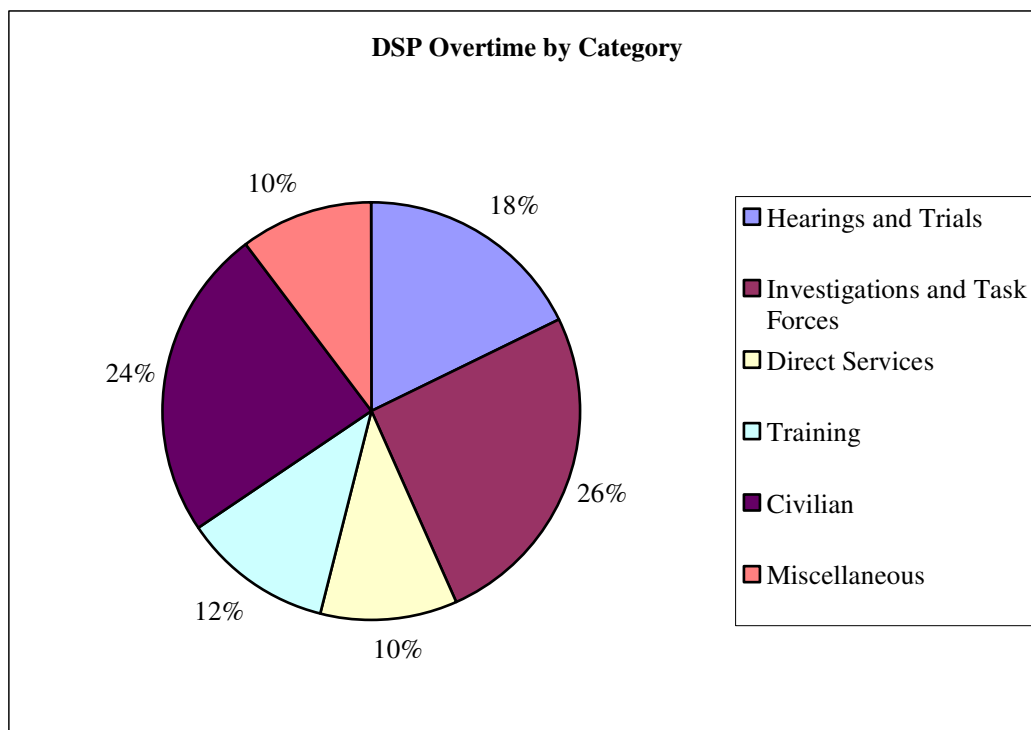
Delaware State Police

Delaware State Police was started on April 23, 1923. The agency's goal is the "Preservation of life and protection of property."

DSP has 34 different units, such as Crime Lab, Special Investigations, Traffic and Victim Services. There are eight troops located throughout the state with the headquarters being located in Dover.

DSP requires a minimum number of officers on duty and for special tasks. Overtime may be granted for special duty assignments (such as "Click-it or Ticket" and DUI checkpoints), escorting detainees and mental patients, call-outs, vacations, court appearances, and training. The following pie chart illustrates the reasons for overtime incurred during FY 2007:

BACKGROUND



Department of Transportation, Maintenance and Operations

Department of Transportation, Maintenance and Operations Division's (Division) goal is to "Maintain and operate a convenient, safe, efficient, cost effective, and environmentally sensitive highway system for the movement of people and goods on behalf of commercial, recreational and personal customers."

The Division has twenty locations throughout the State of Delaware and is authorized to have 921 full-time employees. During FY 2007, the Division had 859 full-time employees and 62 vacancies. The Division has a variety of employees such as electricians, mechanics, engineers, lab technicians, toll plaza managers, toll sergeants, accountants, and equipment operators.

DOT incurs overtime for weather-related incidents, accidents on the roadways, staff call-outs, road repairs, and mowing. The table below indicates the reasons for overtime incurred during FY 2007:

Roadway Maintenance Activities	22.7%
Snow Removal, Disaster, Storms, etc.	28.4%
Building & Grounds Operations & Repair	31.0%
Equipment Management	2.0%
Other Maintenance Activities	15.9%
Total	<u>100.0%</u>

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

1. Determine if the agency had sufficient controls in place to monitor overtime being paid.
2. Determine if overtime costs were justified and supported by appropriate documentation and records.
3. Determine if overtime costs were accurately recorded in DFMS and PHRST.
4. Determine if alternatives to overtime were available.

SCOPE

The scope of this audit includes overtime payments made to State employees for FY 2007 for the following agencies detailed below:

Agency	Amount
Department of Corrections, Delaware Correctional Center (DCC)	\$8,788,269.07
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Department of Transportation, Maintenance and Operations (DOT)	\$4,882,285.71

The employee sample selected for test work represents 10% dollar coverage of FY 2007 overtime payments for each of the respective agencies. AOA substantively tested 25% of the pay periods where these employees earned overtime in FY 2007.

METHODOLOGY

The audit was performed in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States.

Audit procedures consisted of the following:

- Reviewed laws and regulations regarding the proper method of recording/coding overtime pay as it pertains to different classes of State employees, etc.
- Reviewed employee files and time records to ensure overtime is supported by appropriate documentation and records and that employee records agree to related DFMS and PHRST system reports.
- Recalculated overtime hours and payments to determine if any over/under payments of overtime were made in FY 2007.
- Interviewed appropriate officials at the agencies to gain an understanding of overtime policies and procedures.
- Reviewed DFMS and PHRST system reports to verify accurate recording of overtime expenditures.

OBJECTIVES, SCOPE, & METHODOLOGY

The criteria used in this performance audit consisted of the following:

- State of Delaware Merit Rules
- Committee of Sponsoring Organizations (COSO) of the Treadway Commission's Report, *Internal Control – Integrated Framework*
- Departmental policies and procedures regarding overtime
- Labor Union agreements as applicable

CONCLUSIONS

Determine if the agency had sufficient controls in place to monitor overtime being paid.

DCC has developed sufficient control policies; however, the controls should be implemented more consistently to monitor overtime being paid. Refer to the ***Findings and Recommendations*** section of this report for further detail.

DSP has sufficient controls in place to monitor overtime being paid. Policies and procedures are sufficient and overtime payments selected for testing were properly authorized and adequately supported.

DOT does not have sufficient controls in place to monitor overtime being paid. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Determine if overtime costs were justified, and supported by appropriate documentation and records.

DCC has developed appropriate forms and procedures; however, management should strengthen approval processes to document that overtime costs are properly authorized and justified. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Overtime costs at DSP were justified and supported by appropriate documentation and records.

Instances totaling \$76,570.12 were discovered where DOT's overtime costs were not justified, not properly authorized, and not supported by appropriate documentation and records. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Determine if overtime costs were accurately recorded in DFMS and PHRST.

The State's payroll is processed through PHRST and then uploaded into DFMS. Overtime costs recorded in DFMS and PHRST by DCC and DSP reconciled ensuring the two systems interfaced properly.

It was determined that overtime costs at DOT were not accurately recorded in DFMS and PHRST. Significant differences over \$34 million were noted when reconciling the two systems. Refer to the ***Findings and Recommendations*** section of this report for further detail.

Determine if alternatives to overtime were available.

DCC must maintain adequate security staffing levels for each area on all shifts, with an average minimum staffing of 115 per shift. Overtime shifts at DCC were assigned based on projected need in order to ensure the safety of employees and inmates. DCC could attempt to fill their vacant positions as an alternative to the payment of significant overtime since 75% of overtime incurred in FY 2007 was caused by staff shortages. However, this may not be feasible due to the nature of the positions, pay grades, and other employment criteria.

DSP requires a minimum number of officers on duty and for special tasks on all shifts. Overtime may be granted for special duty assignments (such as "Click-it or Ticket" and DUI checkpoints), escorting detainees and mental patients, call-outs, vacations, court appearances, and training. Alternatives to overtime are normally not available.

CONCLUSIONS

DOT incurs overtime for weather-related incidents, accidents on the roadways, staff call-outs, road repairs and maintenance, and mowing. The majority of the overtime is earned during the summer months when the weather is suitable to perform roadwork. Many crews work long shifts because of the seasonal nature of the work and the number of roads that must be repaired/resurfaced/etc. in a short period of time. However, based on the findings noted, it is unclear whether all of the overtime costs incurred during FY 2007 were necessary and if alternatives were available.

FINDINGS AND RECOMMENDATIONS

Finding: DCC - Overtime Calculated Incorrectly

Criteria

State of Delaware Merit Rule 4.13 “Pay for Overtime Service” states:

4.13.1 FLSA-covered employees with a standard work week of 37.5 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 37.5 hours per week. FLSA-covered employees with a standard work week of 40 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 40 hours. The form of pay, time off or cash, is at agency discretion and shall be agreed to in advance. Only hours worked over 40 hours per week are covered by the overtime provisions of the FLSA. The regular rate of pay shall include all payments (e.g., shift differential, stand-by duty pay and hazardous duty pay). Agencies may assign reasonable periods of overtime to meet operational needs.

Condition

Three out of fifteen employees tested at DCC were overpaid overtime due to errors on the “Overtime Request Authorization” form.

Cause

Overtime in the amount of 12.75 hours was listed twice, and, therefore, double paid.

Effect

A total of approximately \$369.15 was overpaid due to these errors.

Recommendation:

DCC should ensure the “Overtime Request Authorization” form is properly reviewed for discrepancies prior to submitting it for payroll processing.

Response:

DCC will ensure the “Overtime Request Authorization” form is properly reviewed for discrepancies prior to submitting it for payroll processing. The Account Specialist in the DCC Payroll Office and the Administrative Officer will review each overtime submission, paying particular attention to identifying any duplicate submissions.

Finding: DCC - Overtime Not Properly Approved

Criteria

State of Delaware Merit Rule 4.13 “Pay for Overtime Service” states:

4.13.1 FLSA-covered employees with a standard work week of 37.5 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 37.5 hours per week. FLSA-covered employees with a standard

FINDINGS AND RECOMMENDATIONS

work week of 40 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 40 hours. The form of pay, time off or cash, is at agency discretion and shall be agreed to in advance. Only hours worked over 40 hours per week are covered by the overtime provisions of the FLSA. The regular rate of pay shall include all payments (e.g., shift differential, stand-by duty pay and hazardous duty pay). Agencies may assign reasonable periods of overtime to meet operational needs.

Condition

The "Overtime Request Authorization" form did not have the proper signatures authorizing overtime for three out of fifteen employees tested.

Cause

Management oversight.

Effect

Due to this oversight, overtime for 6 out of 89 pay periods for these employees was not properly approved.

Recommendation:

DCC should ensure that all overtime is properly approved before payment is made to the employee.

Response:

DCC will ensure that all overtime is properly approved before payment is made to the employee. The Administrative Officer will review each overtime submission, authorizing them with her signature, prior to submission for payment.

Finding: DCC - Shifts Worked Over Maximum Allowed

Criteria

Although no written policy prohibiting employees from working more than two consecutive shifts in a 24-hour period currently exists, DCC management strongly discourages authorizing employees to do so in order to ensure the safety of the employees and inmates.

Condition

During testing at DCC, it was noted that one officer worked more than two consecutive shifts on three separate occasions for a total of 10.5 hours: March 23, 2007 - 2.5 additional hours; May 17, 2007 - 4.0 additional hours; and May 23, 2007 - 4.0 additional hours.

Cause

There was a severe staff shortage for dates in question.

Effect

Employees who work more than two consecutive shifts have not had proper rest and jeopardize the safety of the facility, officers, and inmates.

FINDINGS AND RECOMMENDATIONS

Recommendation:

For the protection of fellow employees and inmates, DCC should not allow correctional officers to work more than two consecutive shifts in a 24-hour period.

Response:

DCC will distribute a written reminder to Shift Commanders and the Training Coordinator that employees should not work more than two consecutive shifts in a 24-hour period, unless there is an emergency situation.

Finding: DOT - Policies And Procedures***Criteria***

The State of Delaware *Budget and Accounting Policy Manual* states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Additionally, the manual states, "Internal control provides management with reasonable assurance that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operation." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met."

Condition

DOT's procedures do not provide adequate detail of required forms for authorizing and tracking overtime. Per AOA's testing of the sampled employees, each DOT location follows different procedures and documentation requirements.

Cause

Management has not developed sufficient and uniform policies and procedures for authorizing, processing, and tracking overtime.

Effect

Inadequate policies and procedures may result in the payment of unnecessary and unauthorized overtime costs.

Recommendation:

DOT should establish uniform policies and procedures for authorizing, processing, and tracking overtime. The policies and procedures should include standardized forms for the documentation and approval of overtime and detailed instructions for processing and maintaining documentation.

Response:

DelDOT recognized issues associated with the lack of standardized reporting forms in early 2007. As a result, the Human Resource Division worked with other Divisions throughout the Department to formalize standardized overtime reporting forms for the entire Department. These forms were made available to staff via the DelDOT intranet in November of 2007, along with instructions that they were the only approved forms to use to record overtime. The findings of this audit will be part of the agenda

FINDINGS AND RECOMMENDATIONS

for the December Strategic Leadership Committee meeting. The members of this committee represent the leadership team of the entire Department.

Finding: DOT - Missing Supporting Documentation

Criteria

Code of Federal Regulations Title 29, Part 516, "Records to be Kept by Employers" states in Section 516.5: "Each employer shall preserve for at least 3 years: (a) Payroll records. From the last date of entry, all payroll or other records containing the employee information and data required under any of the applicable sections of this part, . . ."

Condition

DOT was unable to provide timesheets and overtime approval sheets for overtime paid to 9 out of 20 employees tested and call-back pay paid to 5 out of 20 employees tested. Of 118 pay periods, 36 were not adequately supported with overtime approval sheets. The payroll records of one employee were destroyed when the employee left the agency. Since the supporting documentation was not provided, the overtime could not be recalculated and verified as correct, and there was no legitimate reason documented for the overtime earned.

Cause

One employee noted above is no longer employed by DOT. DOT management was not aware they were required to keep payroll records of former DOT employees so the documents were destroyed. Documentation for the other DOT employees could not be located.

Effect

In effect, DOT paid \$31,000.94 in overtime with no supporting documentation or approval and \$668.51 in call-back pay with no supporting documentation or approval for a total of \$31,669.45.

Recommendation:

DOT should maintain all payroll records for the required time period of three years. These records should include attendance sheets with the hours worked as well as all overtime approval records.

Response:

DeIDOT has reviewed the DeIDOT records retention policy (P I Number A-30). This policy was revised on 4/20/08 and effective 5/08. Through each Division Director, staff has been advised of the records retention procedures and schedule. Overtime records will be maintained for the current year plus three years prior. The issue of proper retention of payroll records shall be reviewed at the September 2008 timekeeper meeting.

FINDINGS AND RECOMMENDATIONS

Finding: DOT - Timesheets Do Not Properly Foot; Overtime Not Properly Approved

Criteria

State of Delaware Merit Rule 4.13 “Pay for Overtime Service” states:

4.13.1 FLSA-covered employees with a standard work week of 37.5 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 37.5 hours per week. FLSA-covered employees with a standard work week of 40 hours who are authorized to perform overtime service shall be paid at 1.5 times their regular rate for each hour worked after 40 hours. The form of pay, time off or cash, is at agency discretion and shall be agreed to in advance. Only hours worked over 40 hours per week are covered by the overtime provisions of the FLSA. The regular rate of pay shall include all payments (e.g., shift differential, stand-by duty pay and hazardous duty pay). Agencies may assign reasonable periods of overtime to meet operational needs.

Condition

The following instances were noted where DOT’s overtime costs were not properly calculated, not justified, and/or not properly authorized:

- Five pay periods were reviewed and three out of nineteen DOT employees tested did not properly foot from supporting documents to timesheets, and, therefore, were not properly paid through PHRST. Due to this oversight, DOT overpaid three employees a total of \$443.75.
- Ten out of nineteen DOT employees tested did not have proper authorization for overtime. The Employee Timesheet Summary for each of these employees did not have the proper signatures authorizing the overtime. Because of this oversight, DOT paid \$34,926.21 in overtime without proper approval.
- One out of twenty employees tested did not have a legitimate reason for overtime. The description of the overtime was “Supervise/Various Jobs/Admin” for all six pay periods tested. The employee was consistently working overtime for what appeared to be routine work that should have been performed during normal working hours. There was no indication of urgency or immediate need of the work to be completed that would have required overtime hours. In addition, the overtime was not properly authorized by the employee's supervisor, which further undermines the legitimacy of the overtime paid. A DOT timekeeper stated she was unaware the overtime needed approval because the employee is a supervisor. As a result, the employee was paid 307.5 hours (\$9,530.71) of overtime that may have been unnecessary.

Cause

The calculation errors occurred due to human error in processing the payroll documents. DOT's management did not ensure that proper approvals were obtained before overtime was paid.

Effect

A total of \$44,900.67 in overtime payments was overpaid to DOT employees.

FINDINGS AND RECOMMENDATIONS

Recommendation:

DOT should ensure that all overtime worked is for a legitimate purpose and is properly approved. In addition, DOT should ensure that all supporting documents are adequately reviewed for accuracy before submitting the information to PHRST.

Response:

The Department is currently working with each Division to establish a comprehensive listing of overtime "reasons." This listing will be representative of the majority of overtime requests. Anticipated date of completion is 12/30/08. The need to provide more specific details justifying the reason for overtime will be explained at the September 2008 timekeeper meeting. Additionally, it will be an agenda item at the December Strategic Leadership Committee meeting.

Finding: DOT - "Daily Record of Call-Back" Log Sheets Not Approved***Criteria***

According to DOT's Call-Back Policy (effective May 13, 2007), the agency must maintain a record of the time the supervisor made the call, the time the employee reported to work, the reason for the call-back, and the time the employee completed the work and departed as supporting documentation for pay and must be able to produce the documents upon request.

Condition

Eleven "Daily Record of Call-Back" log sheets were obtained for testing which covered two separate pay periods. Although the log sheets were maintained, none of the eleven tested were properly authorized by the employee's supervisor.

Cause

DOT's management did not ensure the "Daily Record of Call-Back" log sheets were properly approved.

Effect

As a result of this oversight, approximately 36.75 hours or \$902.27 of overtime were paid without proper approval.

Recommendation:

DOT should ensure the "Daily Record of Call-Back" log sheets are adequately reviewed and approved by the employee's supervisor before submitting for payroll processing.

Response:

The Department currently uses the Statewide Human Resource Management Call Back Pay Guidelines and Forms. DelDOT has the appropriate forms available via a link on the DelDOT intranet. The Department will continue to educate timekeepers about this issue. Additionally, management will be advised of the Overtime audit findings during the December Strategic Leadership meeting.

FINDINGS AND RECOMMENDATIONS

Finding: DOT - PHRST/DFMS Reconciliation

Criteria

The State of Delaware *Budget and Accounting Manual* Chapter II (C) “Establishing Controls Objectives” states:

The following specific control objectives are widely accepted as elements of good control and should be used by management and financial managers:

- Authorization – ensuring that all transactions are approved by management.
- Validation – ensuring that recorded transactions represent real transactions.
- Capture – ensuring that all transactions are recorded.
- Valuation – ensuring that all amounts recorded for transactions are accurate.
- Classification – ensuring that all transactions recorded are assigned to the proper categories (i.e. assets, liabilities, revenues, expenses) and subcategories (i.e. type of expenses).
- Cut-off – ensuring that transactions are recorded in the appropriate accounting period.
- Access – ensuring that only authorized individuals, consistent with their job responsibilities, have appropriate access to assets.

Condition

DOT only reconciles DFMS and PHRST at the department level and not at the division level. Errors between the divisions would not be discovered since a detailed reconciliation is not performed.

In order to determine if overtime costs were accurately recorded in DFMS and PHRST at the division level, AOA obtained data downloads from both systems and attempted to reconcile the amounts recorded under Division 550500, DOT Maintenance and Operations, object code 1005, Overtime. The amounts could not be reconciled as DFMS had expenditures of \$154,399 recorded and PHRST had \$0. AOA then

tried to reconcile all of the 1000's object codes for Division 550500 to no avail. The difference was over \$34 million. After discussing the matter with DOT officials, AOA was able to download payroll data for the agency (Department 55) and reconcile total payroll for the entire department within 1%; however, the division level still could not be reconciled.

Cause

DOT only reconciles DFMS and PHRST at the department level to ensure the annual appropriation for personnel is not exceeded. If discrepancies exist, DOT then looks at the division level to correct the errors. Errors may exist between the divisions due to coding errors and interfacing errors between PHRST, DFMS, and BACIS and not be detected since a reconciliation is not performed at that level of detail.

Effect

Payroll expenditures are not correctly recorded at the division level and are therefore not meeting the above control objectives.

FINDINGS AND RECOMMENDATIONS

Recommendation:

DOT should ensure that all payroll transactions are properly recorded by reconciling PHRST and DFMS at the most specific level of detail as possible. Reconciling only at the department level does not provide sufficient assurance that the payroll transactions transferred between the data systems are correct.

Response:

The Department plans to work with each Division to ensure reconciliation of time sheets and overtime pay. Through the resurrection of the Department-wide timekeeper meetings, staff will be advised of the importance of reconciliation and proper overtime accountability. Minutes from the timekeepers meetings will be posted on the DelDOT intranet and meetings will be held on a regular basis.

The Department is committed to ensure the processes and practices associated with overtime are appropriate. Random audits will be conducted to ensure compliance with reconciliation requirements.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Captain Monroe B. Hudson, Director of Human Resources, Delaware State Police
Warden Perry Phelps, Warden, Delaware Correctional Center
Ms. Kathy S. English, Finance Director, Delaware Department of Transportation